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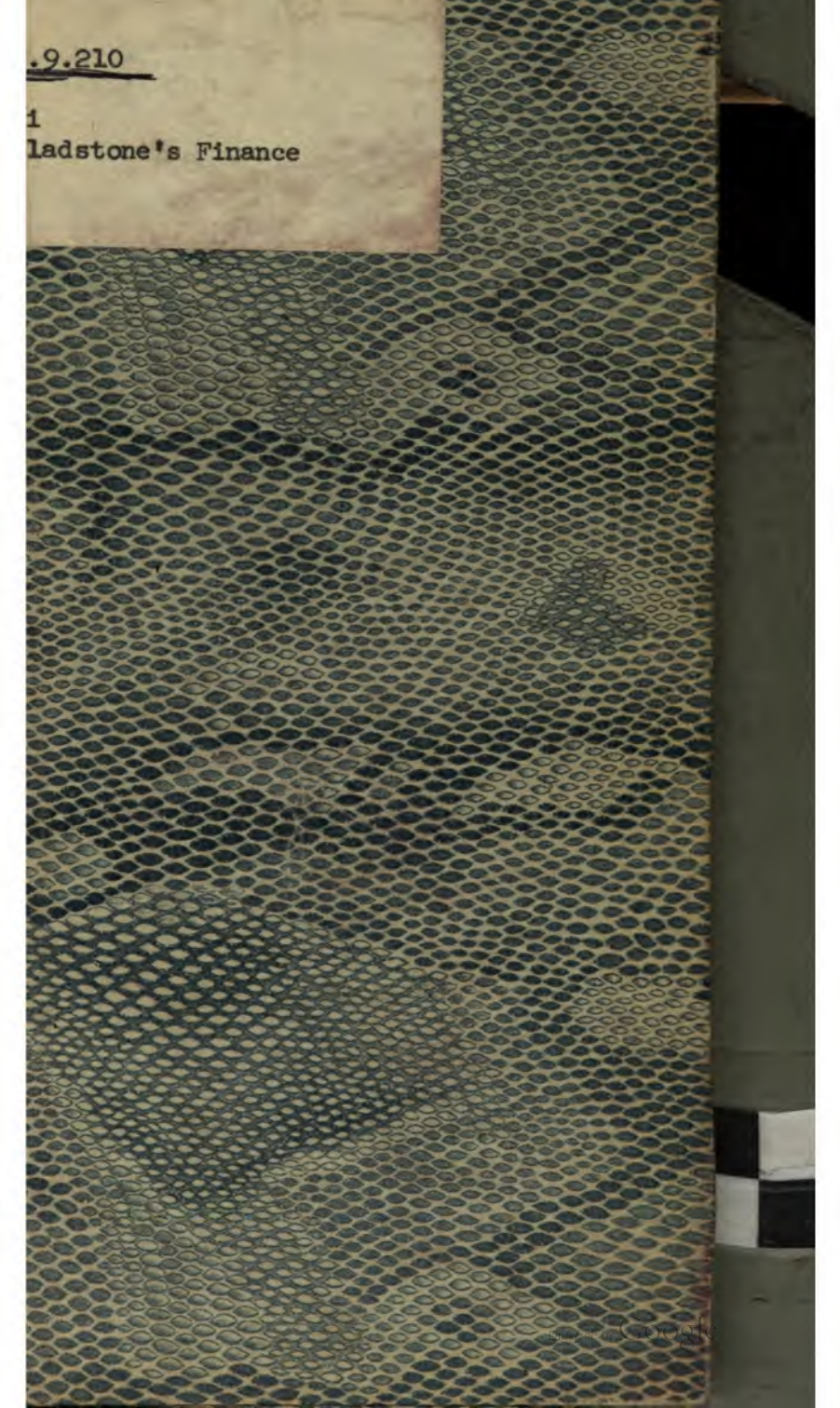

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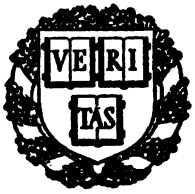

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MR. GLADSTONE'S FINANCE,

FROM

HIS ACCESSION TO OFFICE IN 1853 TO HIS BUDGET OF 1862,

REVIEWED BY

THE RIGHT HON. B. DISRAELI.

LONDON:
SAUNDERS, OTLEY, AND CO.,
66, BROOK STREET, HANOVER SQUARE.
1862.

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PREFACE.

THERE is one great drawback inherent in Parliamentary oratory, that it is always criticised in a partisan spirit. The object which the speaker has in view is almost invariably foreknown and prejudged; and it is hopeless to expect an impartial hearing from either of the political parties whose sympathies, interests, or prejudices have predetermined their opinions for or against the cause he represents. The most convincing logic, the most unanswerable facts, are listened to with a scepticism which no powers of persuasion can remove. On the other hand, the most transparent fallacies are accepted and applauded with a liberal and accommodating faith for which no imposture is too extravagant. An energetic "whip" baffles the highest oratorical effort; empty benches paralyse the most brilliant powers; crushing majorities annihilate reason, facts, and figures. But the orator who looks beyond an ephemeral political triumph has this consolation—the record of his speeches is preserved. The time comes sooner or later when his judgment is tested by an impartial audience, and his claim to statesmanship decided—not on a parliamentary vote, but on the strength of fulfilled predictions, of realised calculations, and of proved foresight.

How far Mr. Gladstone has successfully established his claim, the annexed Speeches of his chief opponent in the House of Commons will show. The country has practically been given over to the finance of the present Chancellor of the Exchequer for the last ten years; for the interruptions of his reign, occasioned by the accession of Sir G. C. Lewis, and subsequently of Mr. Disraeli to his office, did not last sufficiently long to admit of the establishment of any new financial policy. Within that time we have come to look upon a war expenditure as the normal expenditure of the nation, and the war Income Tax—that tax which in 1853 Mr. Gladstone denounced as infamous—as part of our ordinary taxation. We have had the Chancellor of the Exchequer yearly exclaiming against extravagance and yearly augmenting our deficit by reckless financial propositions. We have seen pledges unredeemed, predictions falsified, and schemes abortive, but we have never seen

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one genuine success; and the end of all is, that we are commencing a year in which the resources of the country may be tried to the uttermost, with a complete "exhaustion of extraordinary aids," and with only a nominal surplus.

The mode in which these results have been attained is set forth very clearly in the two Speeches which follow, delivered respectively on the 24th of February, 1860, and the 8th of April, 1862. They summarise Mr. Gladstone's financial career. The one passes judgment on his policy from 1853 to 1860, with a warning that has been almost literally fulfilled; the other reviews it from the passing of the French Treaty to the present day. The arguments cannot be disproved; their truth has been demonstrated. The figures cannot be disputed; they are recorded in a series of disastrous Budgets.

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GLADSTONISM FROM 1853 TO 1860.

THE Opposition moved, in February, 1860, on the introduction of the Budget, the following resolution :—

"That this House, recognising the necessity of providing for the increased expenditure of the coming financial year, is of opinion, that it is not expedient to add to the existing deficiency by diminishing the ordinary revenue, and is not prepared to disappoint the just expectations of the country by reimposing the Income Tax at an unnecessarily high rate."

And on the third and last night of the Debate, Mr. Disraeli spoke as follows:—

I RISE, Sir, to answer the challenge of the right hon. Gentleman (Mr. Gladstone), and to interpret that indignant negative which he heard from my hon. friends behind me. The right hon. Gentleman has stated that the Motion made by my hon. Friend the Member for Essex is one that impugns the whole policy of commercial legislation for the last eighteen years. He says that the measures which he has introduced and the policy which he recommends are precisely the same as those which on preceding occasions have received the sanction of Parliament, and the approbation of the nation. He says, that if the House accedes to this Motion we are declaring that we entirely disapprove all that has been done in those eighteen years to revise our Commercial Code. But I join issue at once with the right hon. Gentleman. I deny the similarity between the measures which he introduces and those to which he refers. Sir Robert Peel, in 1842, in 1845, and the right hon. Gentleman himself, in 1853, certainly found or made deficits, but when they proposed a tax like the income tax it was for a period

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which covered the interval during which the experiment might have fair play. What we charge against the measures of the right hon. Gentleman is this—that he has found a deficit and made a deficit, and has not proposed measures which will secure fair play to any experiment by which that deficit can be supplied. The whole speech of the right hon. Gentleman depended on this point. If the position of the right hon. Gentleman is not sound—as I hope I shall succeed in showing to the House—the whole of his conclusions fall to the ground. The House, I am sure, will generously remember, though the hour is late, that this is not an occasion on which I could shrink from expressing my opinions. I will therefore consider, as briefly as I possibly can, and for the moment in a merely financial point of view, the plan of the right hon. Gentleman, and I will see how it agrees with the position he has laid down, and how you can reconcile it with the character he has given of the Motion of my hon. Friend.

Of this Budget of the right hon. Gentleman I would say this—that it aims at too much and provides too little. The right hon. Gentleman finds a deficit: he increases that deficit; and he closes his proposition with introducing a tax of a very extensive character, and which is to exist only for a short term. The right hon. Gentleman has, I think, estimated his deficiency at nearly nine millions and a half—9,400,000*l.** When the right hon. Gentleman made his financial statement the Army Estimates were not on the table, at least few Gentlemen had enjoyed the opportunity of studying them; I, at least, had not been able to examine them. But I think no one can deny, who has since looked over these Estimates, that it would be a moderate calculation to assume that the army expenditure will not be less than a million beyond what appears in these accounts. We have heard to-night that regiments have been sent to China from the Indian establishment, and that the moment they arrive in

* A deficiency occasioned by the income tax and tea and sugar duties ceasing in the year 1860. Mr. Gladstone renewed the tea and sugar duties at the war rate, and not only renewed, but increased, the income tax; and nevertheless concluded the year with a deficit exceeding two millions and a half.

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China they will be on the British establishment. We have also heard to-night of regiments from India which are expected in England, and which the moment they arrive will be on the British establishment. In the Estimates we found one Vote of half a million for the Chinese war, which every one felt at the moment was a ludicrous amount.

Without at this hour dwelling too much on the Estimates, it would be a very sanguine anticipation on the part of the House to suppose that the deficit assumed by the right hon. Gentleman would not be exceeded. The right hon. Gentleman, with this deficit of 9,400,000*l.*, will next year find wanting those malt and hop credits for 1,400,000*l.*, of which we have heard so much, and against the appropriation of which I enter my protest as a measure utterly unsound in finance, and of which I am quite surprised that the right hon. Gentleman should ever have proposed to avail himself. I remember that in 1852 I proposed, as a measure of reform, the extinction of a very small office connected with the Treasury, which had a comparatively small sum of public money intrusted to its administration; I believe not more than 350,000*l.* I proposed that that sum should be taken in the revenue of the year, and I did so only in order to secure a surplus, so that the amount would almost certainly have been found in the balances of the Exchequer, to which it belonged. The right hon. Gentleman denounced that project as one which could be justified on no ground whatever, and called for the reprobation of Parliament upon it; but what he is now doing is just the same thing, only upon a much greater scale, and under circumstances much less justifiable. Then we have in addition the million of Exchequer Bonds. We are told, Sir, that the country is in a position of unexampled prosperity. If we cannot pay our debts at such a time, when can we? When I asked, the other night, the Secretary to the Treasury, in the absence of the right hon. Gentleman, how and when he proposed to pay that million of Exchequer Bonds, the reply I received was a courteous reminder that I had in 1858 postponed the payment of 2,000,000*l.* of Exchequer Bonds. Surely he recollected the circumstances under which I took that step? That was not

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a time of unexampled prosperity. The country was still staggering under a great commercial panic. The month before Parliament met, at the beginning of the year, the *minimum* rate of discount was 10 per cent., and it was felt by everybody that it was totally impossible under those circumstances to propose taxes which would press especially on the commercial classes, then suffering from such startling and fatal depression. The proposition I made was unanimously adopted by the House, and no one, under the circumstances, raised the slightest protest against it; but I see no similarity between the circumstances of that year and those of the year of unrivalled prosperity with which we are now dealing.

What we object to in the scheme of the Chancellor of the Exchequer is, that it does not resemble the transactions of 1842 or of 1845. It does not resemble the operations of Sir Robert Peel, or even those operations of 1853 which the right hon. Gentleman himself introduced in this House. It is because the right hon. Gentleman has neglected to take the same security for the future, because we find his plan is improvident, and consequently, under the circumstances, extremely dangerous, that we ask the House to interpose and express its opinion upon the propositions submitted to them. What will be our situation a year hence? It may not, under ordinary circumstances, be discreet to indulge in very prospective finance; but it appears to me it would be perfect madness in our present situation not to contemplate what will be our position in 1861. The right hon. Member for Portsmouth (Sir Francis Baring), who has some experience on such subjects, has calculated the amount of probable deficit. I confess I shall be surprised, I need hardly say pleased, to find it does not exceed that amount; but if the possible deficit in 1861 be merely 12,000,000*l.*, surely the House should pause before it sanctions the proposition of the right hon. Gentleman, and should hesitate, with such a prospect in view, before it accedes to measures which must necessarily, according to the right hon. Gentleman's own account, increase the deficit and augment the pressure of 1861. The right hon. Gentleman seems to be disappointed that more than one speaker in this debate has contemplated the dangerous and inevitable consequences,

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in such a state of affairs, of attempting to fasten the expenditure of the country upon direct taxation; and he has brought forward a paper—and it is not the first time that he has had recourse to documents of that kind—to show how, in all recent impositions of taxation, there has not been that fair proportion between direct and indirect taxation imposed which he feels to be just and believes to be highly politic. But there is this fallacy in the paper which the right hon. Gentleman read, and the inferences which he draws from it. We do not object to a fair proportion of direct taxation in our financial system. What we do object to is, that direct taxation should take the form of an income tax on this large scale. It is not fair in the right hon. Gentleman always to state the question as one of competition between direct and indirect taxation, and describe this side of the House as being always the advocates of the indirect against the direct system. The question is not as to which system is superior. There are but few in this House who contemplate a time when a considerable amount of indirect taxation must not form part of our financial system. But the question is, whether that form of direct taxation which no one has denounced in more unsparing language than the right hon. Gentleman, the national evils of which he has proclaimed, the demoralising influence of which on the people he has described in glowing terms, shall continue to exist, and not only exist, but be increased under his administration, and go on increasing in a ratio that none can contemplate without apprehension. That is the question. More than one hon. Gentleman has addressed us in this way. We who object to this form, I will say to this excess, of direct taxation, are told we are advocating the interests of a class, and that we do not consider sufficiently the interests of those masses that we now learn from the Chancellor of the Exchequer will probably elect the new Parliament. I deny the justice of this observation. There is a class of political philosophers, certainly represented in the present House of Commons, who think that they can elevate a nation by degrading it into a mob. Sir, I do not share their opinion. The contributors to the income tax are of various classes in the State, numerous, of very different

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degrees of wealth, cultivation, and position. But it is no doubt true that those who pay the income tax are, generally speaking, the flower of the nation. They represent the traditions, the experience, the domestic integrity, and the moral qualities of the nation; and it is to their spirit and constancy, from the highest to the humblest, that the State must look in the hour of exigency. It is not true that the contributors to the income tax are a class apart from the great body of the nation; though divided into many degrees, they are an important portion of that body. I will not go into the subject of the comparative pressure of taxation, or inquire whether those who fall under the imposition of the income tax do not suffer more severely than any of the working classes of this country. I acknowledge how important it is to consider the condition of the working classes; I know how much depends on their ample and remunerative employment; and knowing how they contribute to the wealth of the country I feel their condition ought, by all means, to be elevated and improved. And I know that you cannot accomplish such a result better than by extending the commercial relations of this country with others, and putting an end to those remaining burdens that press on trade and industry. All these are high objects of policy that the vast majority of this House are prepared by great efforts to accomplish. But you can accomplish this result only on certain conditions—namely, that they are practicable, and consistent with our financial position.

Sir, I would now say a word on this Commercial Treaty with France. I entirely approve any means that will increase our commercial relations with that country. That has been for many years—at least a quarter of a century—the object of constant solicitude on the part of many successive Governments. In 1840 we were informed—not officially, but it was well known—that a commercial treaty with France was negotiated. I am not aware of the real reason why that treaty was not ratified, but I believe that the difficulty did not come from the French Government. I should not have alluded to the subject if it had not been mentioned by a Member of the Cabinet, nor should I have felt at liberty to state what I am about to say but for what has fallen to-night

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from a servant of the Crown. Sir, in 1852, when I was Chancellor of the Exchequer, I was not in office a month before I made an attempt to establish increased commercial relations with France. When the Secretary of State (the Earl of Malmesbury) had opened the more formal business of the negotiation he requested me to place myself in communication with Lord Cowley, and to enter into correspondence with him on the subject, which I did. I do not say that the result of our labours would have taken the form of a treaty. Perhaps the alterations would not have been so extensive as those contemplated by the present Government, but at any rate they would not have been of a despicable character in a commercial point of view, and they would have been arranged by the mutual operation of our respective tariffs. What, Sir, was it that unfortunately prevented those arrangements? Towards the end of the autumn circumstances occurred that rendered it our duty when Parliament assembled to propose a great increase of our armaments. I found it impossible to have a peace Budget and a war expenditure. I was the victim, and my Budget never recovered that fatal blow. I mention this to show that we have none of those prejudices which the right hon. Gentleman imputes to us against increasing our commercial relations with the French Government. On the contrary, I think that, if the condition of affairs permitted, there is nothing more desirable than that those relations should be enlarged, and even if they took the form of a treaty I think I could endure it. What I object to in this Treaty is, that, irrespective of the financial considerations involved, it is a very bad treaty. I do not think there ever was a treaty drawn up apparently with less forethought or less knowledge of the circumstances with which the negotiators had to deal, which altogether contains so many arrangements injurious not only to the trade of England, but also inferentially and ultimately to that of France, or which is better calculated to sow the seeds of discord and dissension between the two countries. It would not be convenient now, at this hour, to go into the details of the Treaty, which would of itself rather require an elaborate speech; but I think that famous clause relating to coal, for example, is a very great mis-

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take, and, if it is acceded to, ought to be accompanied by a reciprocal engagement on the part of France that all corn coming to this country should be exported free of duty. Then the arrangement about silk in the Treaty is extremely imperfect. Some silk manufactures enter France at a duty of fifteen per cent., which will now be charged thirty per cent. It is a great error that France should be permitted by this Treaty to levy an export duty on raw silk, when her manufactured articles of silk are to be admitted to our markets duty free. There are many other details, some of which are important, but which I will not weary the House with at this hour. I object, however, to the Treaty as an ill-drawn instrument, and one which, under any circumstances, ought not to be allowed to pass without criticism and opposition. But what I particularly object to is, that by entering on this Treaty the Government have increased that deficiency of the revenue under which the right hon. Gentleman is suffering. I will say this of the Treaty, that it adds certainly to our deficit a sum of 1,200,000*l.* immediately; but it is so drawn that in respect to wine, when the right hon. Gentleman brings his new duties into full operation, his tests, I feel persuaded, will desert him. I do not understand how he will put his machinery into such order that his wines can be entered without a much greater sacrifice of revenue than he contemplates. If that be so, his loss of revenue will be much more considerable, perhaps 500,000*l.* more than he contemplated in the statement he made when he opened his Budget to the House. As regards commercial intercourse with France, there is on this side of the House no political opposition to such a course, but, on the contrary, the greatest readiness to enter into arrangements for that object. But we object to the Treaty as a treaty not skilfully negotiated, and as one that occasions a considerable deficiency in our revenue, probably a much more considerable deficiency than the Chancellor of the Exchequer estimates. We object also to the time at which it is brought forward, because the Chancellor of the Exchequer himself has confessed that the French Government were prepared to postpone the Treaty till 1861. There were secret negotiations, and there is no reason why the

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Treaty should not have been ratified, and remained a secret treaty, till it was carried into operation.

But we must consider the Budget of this year combined with the Budget of 1853, for this is a complement of that Budget, and they are in fact inseparably united. What has been the effect of the financial propositions of the Chancellor of the Exchequer in 1853? and cannot we draw some warning from their fate as to the probable result of the financial arrangements of 1860? There are four great features of the financial scheme of 1853—that famous scheme, the praises of which have been so much celebrated, and on the credit of which the Chancellor of the Exchequer flourished till he made his financial statement for 1860. The first feature of that celebrated Budget was, I will not say one to pay off the National Debt, but to reduce the interest paid to public creditors. We afterwards had an ambiguous apology from the Chancellor of the Exchequer, from which it appeared that when he embarked in that enterprise he was not aware that it was necessary to give a notice of six months to the holders of 500,000,000*l.* of stock before they could be paid off—a circumstance which, of course, somewhat interfered with the operation. The right hon. Gentleman himself acknowledged that his scheme was an "abortion." I may say, in passing, what is perhaps not known to the House, that it was an abortion which cost us the whole of the balances in the Exchequer, and when we entered on the Russian war our balances in the Treasury were little more than 1,000,000*l.* Well, so much for the first great feature, and first great failure of the Budget of 1853. The second feature of that financial scheme was the reduction of the tea duties to 1*s.* a pound. I think I may say, in passing, that that was a measure which had been adopted from his predecessor. I had the honour, on the part of the Earl of Derby's Government, to propose that the tea duties should be reduced to 1*s.* a pound; and had the proposition then been carried into law a duty of 1*s.* only would now have been paid. The right hon. Gentleman adopted generally the plan I proposed, but with his eager mind he proposed what he thought a more rapid and less methodical arrangement. He wished to do it

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quicker than I suggested; and what has been the result? The duty on tea is not 1*s.* a pound; it is much more. And I observed, from what passed at a meeting of the tea trade the other day, that the Chancellor of the Exchequer received, apparently with no disrelish, a suggestion from some gentlemen present that the duty at the present exigency should be made one penny a pound more. [Mr. GLADSTONE: I did not approve of, but dissented from that suggestion.] One great advantage of this debate is that we are favoured with a running commentary by the right hon. Gentleman. [*A laugh.*] I never object to being interrupted, and I hope that the Chancellor of the Exchequer will in future bear interruptions with as much patience as I do. This, then, was the second great feature, and the second great failure, of the Budget of 1853. On the third feature of that Budget—the Succession Tax—I need say little. This is the great measure which gained for the right hon. Gentleman the sympathy of the hon. Member for Birmingham (Mr. Bright). Here was a tax directed against the landed interest—a circumstance which recommended itself very much to that hon. Gentleman's favour, and which in 1860 was to produce two millions of money. The Chancellor of the Exchequer told us then that with those 2,000,000*l.*, and the 2,000,000*l.* which we should acquire by the falling in of the terminable annuities, he should have a pretty good sum in hand to assist him in putting an end to the income tax. Well, the year 1860 has arrived, in which this succession tax was to produce 2,000,000*l.* per annum; and the result, we find, is that it has actually produced about one-third that sum. This was the third great feature of the Budget of 1853, and the third great failure. The fourth great feature, and one much larger in its proportions, is now under the consideration of the House—that which relates to the income tax, which, in a manner which gained for him the applause of all parties and the assent of a grateful country, he told us—masterpiece of statesmanship!—was at the commencement of 1860 to terminate altogether. Yet, notwithstanding that promise, we find that the income tax of 1853 is, unfortunately, still alive; nay, more, that it is a child which has greatly grown. The income tax of 1853,

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in short, which year after year was to diminish, and which in the present year was entirely to cease, has now increased to more than 4 per cent., or at the rate of 10*d.* in the pound. This, Sir, was the fourth great feature of the famous Budget of 1853, and the fourth great failure.

Such, then, was the scheme of the right hon. Gentleman; and it is in consequence of that great financial success that we are asked to place confidence in the wild and improvident propositions to which our assent is now invited. But I will not state the case unfairly to the Chancellor of the Exchequer. He has reminded the House that causes have intervened to prevent the realisation of calculations which no one could control, and to those causes it is that he attributes the utter failure of his arrangements. The Russian war broke out contrary to his expectation. Now, before I touch briefly on that war, let me remind the right hon. Gentleman that the plea put forward because of it has no validity whatever, so far as regards his attempts to account for not keeping his engagement with respect to the termination of the income tax. Did he not, let me ask, ratify that policy and repeat those engagements in 1857, when he criticised the Budget of the right hon. Baronet the Member for Radnor (Sir G. Lewis), long, be it recollected, after peace had been proclaimed? Why, Sir, the right hon. Gentleman was then the apostle of the same policy as in 1853, and, so far as speeches can bind him, he must admit that he recommended the same policy and contemplated the same results. Nay, more; at a still more recent period, when I, in 1858, occupied the position which he now holds, when by course of law the income tax was to have lapsed to 5*d.*—half its proposed amount—he (the Chancellor of the Exchequer), still faithful to his old views, sanctioned the measures which I proposed, and bound himself to the accomplishment of the same compact to which in 1853 he stood pledged. But now, what, let me ask, is the plea which he puts forward for the abandonment of the policy to which I have referred? We now, instead of witnessing the termination of the income tax, are called upon to assent not only to its great increase, but to sanction an arrangement by which, in all probability, another appeal in the same shape will next year be rendered neces-

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sary, when we shall be asked to continue this tax in an aggravated form. The right hon. Gentleman, however, tells us that to the Russian war we are to attribute the utter failure of the Budget of 1853; but let me remind the House in dealing with that plea, that we now know much more with respect to that war than we did seven years ago. We have had since laid on this table the secret correspondence which took place between Her Majesty's Minister at St. Petersburgh and the Members of the present Government, the noble Lord opposite (Lord John Russell) being then, as at present, Secretary for Foreign Affairs, That correspondence was laid on the table in the spring of 1854. From the circumstance of my receiving authentic information which led me to infer its existence, the noble Lord was obliged ultimately to produce it. What appeared by that correspondence? Why, this—that no sooner had Lord Derby's Government been expelled from office than the Emperor of Russia disclosed to their successors his designs on Turkey. Am I using an exaggerated phrase in saying that immediately the Earl of Derby's Government left office this disclosure was made? I have a very good witness, formerly a great commercial authority, now a great diplomatic one, the secret negotiator at Paris—Mr. Cobden. I saw him rise in this House, and heard him say that there never was a vote in his life he regretted more than the one which expelled the Earl of Derby from office in 1852, because, as he said, I have not the slightest doubt, from the information we possess, that that vote produced the Russian war. On the 1st of January the despatch was dated which informed Her Majesty's Ministers that it was the intention of the Emperor of Russia to invade Turkey. The Menschikoff mission, as hon. Gentlemen will recollect, followed in due course; and yet it was with all this knowledge—unless the right hon. Gentleman, with his eager nature, was so absorbed in his office that he had no acquaintance with public affairs generally—that Mr. Gladstone brought forward his famous Budget of 1853 with all those arrangements which only a state of continuous peace could justify. He held out to a Parliament that had repudiated the income tax, that had insisted that it should be referred to a Select Committee, this mode as the satisfactory

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one of settling those long differences, while the right hon Gentleman must have been aware that Europe was on the eve of a great convulsion, and of a war into which England would not be inferentially and indirectly drawn, but one in which she must have been the prime actor, for her interests were about to be assailed. But is that all? We know that the Emperor of Russia acted with great hesitation, with great doubt and perplexity, watching with keenness the conduct and temper of the British Government; and if it had appeared to possess any energy or real decision, would he not have been arrested in his fatal course? But we know, from the personal confessions of that Government itself, that their Cabinet was the scene of internal dissension—we know that there were two parties in it, and if the present Prime Minister had been Prime Minister then, the war would not have taken place. There was a party over which the Earl of Aberdeen presided, which exercised an influence greater than that of the present Premier and the Foreign Secretary; and that was the party that produced peace Budgets when they ought to have been preparing war armaments. And what was the consequence? Has the House forgotten—England, I am sure, has not forgotten—that famous Vote in 1854, in Supply, when the Chancellor of the Exchequer—determined, forced at last to take a new course, which would arrest that of the Emperor, and show him that England was not to be trifled with—proposed that a few battalions of Guards should be sent to Malta, and proposed also the Vote that should pay for their passage back. Who can be surprised at what took place? Three months after such feeble conduct on the part of the Government, the war was begun; and what were the consequences of that war? An addition to your debt of 40,000,000*l.*—an annual charge of 1,180,000*l.*, exactly the sum you are going to pay annually for the French Treaty of Commerce. And now we are told we have great and successful financiers—statesmen who produce the great Budgets of 1853 and 1860—men who think only of the incidence of taxation on the working classes—who shrink from expenditure, who call for retrenchment, who make every possible effort to lighten the burden of taxation on the people! Why, if these great states-

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men had only shown a little more foresight and firmness, and prevented that Russian war which they precipitated by their feebleness, the incidence of taxation would have been very considerably lightened. Does not this prove that other qualities than mere political economy are necessary for the government of a nation?

I told you that this Budget of 1853 was inseparably connected with that of 1860. You see how completely the Budget of 1853 has failed in all its four features. You see why it failed: because external circumstances, that were not foreseen by one who ought to have been prescient, interfered in a great degree with their consummation. What is the state of affairs now? Is the aspect more serene than it was in the spring of 1853? No man can suppose that the right hon. Gentleman is now ignorant of the state of external politics. If the Budget of 1860 ends in that confusion which I believe awaits it, and must await all schemes so utterly improvident, the right hon. Gentleman will not be able to tell us next year that his plans have been frustrated by external causes which he could not foresee. The right hon. Gentleman takes a great interest in the affairs of Italy. He has quarrelled with his old friend the Pope, as he has quarrelled with many others of his old friends. That Christian charity he grudged me a share of the other night, he now derives, I believe, from the Greek Church. But I think it would be well for this House, when we have a scheme of finance of this improvident description placed before us—when, with a deficit existing, a further deficiency is created, and that tax increased which in the moment of emergency should be the source on which we ought most to rely—I think it would be well for us to consider what is the state of our Foreign affairs, and what is really contained under that phrase which so glibly runs through the mouths of men—the affairs of Italy. Sir, the affairs of Italy at this moment involve the greatest causes which can possibly impel men to action, or which can influence the destinies of empires. Totally irrespective of many causes of comparative insignificance, all of which in old days might have produced war, you have in Italy now three matters alone, any one of which is

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enough to convulse the world. You have the question of Papal supremacy, you have the question of the natural boundaries of empires, you have the question of the nationality of races; each of the first two have before this time produced the longest and most sanguinary struggle in the memory of man. The question of Papal supremacy gave you once the thirty years' war. The question of the natural boundaries of empires gave you the long war of the French Revolution. Those questions are still in existence; and, in addition, you have a new one, the solution of which cannot be ultimately avoided, perhaps cannot be long delayed—the question of the nationality of races. Are we to be told, in such circumstances as these, that all a Statesman should do is to simplify a tariff? Was there ever a moment in the history of this country when we ought more to husband our resources? Is this a time wantonly to put an end to the sources of your ordinary revenue? Is this the time you should fix upon to anticipate the resources of your direct taxation? There is not a man out of this House, if there be any man in it, who doubts the propriety of the course we ought to pursue. I think the course recommended by the Government is the most improvident—I could use, but I will not, a much stronger phrase—that ever yet was counselled to Parliament. I should, under ordinary circumstances, hesitate to support it; but in a moment like this I feel it my duty utterly and emphatically to protest against it.

The hon. Member for Liskeard (Mr. B. Osborne) spoke with great friendliness to me this evening, and told me aloud, though, of course, in confidence, that I had recommended a very unwise course to my hon. Friend, the Member for Essex, in advising him to propose that Motion, which he did with so much spirit and promise. The hon. Member for Liskeard asked why we proposed such a Resolution, why we did not admit the principle of the Budget—that is to say, the principle of the policy—and worry the Government in Committee. We should then have got a great deal of assistance; the hon. Member would have helped us himself; and we might have beaten the Government in detail. I have no doubt the hon. Member would make a much more adroit leader of a party than I can pretend to be; and, indeed, it

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is only with the assistance and constant indulgence of my friends, that I can for a moment undertake the cares and duties of the post I now occupy. But I must tell the hon. Member for Liskeard he has totally mistaken the motives which influence us on this occasion, and which are totally different from those which would regulate his conduct. The Chancellor of the Exchequer seemed to deride the speech of the right hon. Member for the University of Cambridge (Mr. Walpole)—a speech inspired, I believe, by as true a sense of patriotism, and characterized by as becoming an eloquence as any speech ever made in this House. The Chancellor of the Exchequer seemed to deride the possibility that we had any object in the course we have taken but to embarrass and subvert the Government. "If those are your views of finance and policy," said the right hon. Gentleman, "it is your duty to terminate our Ministerial career, and if you are not prepared to do that, you ought not wantonly to embarrass us." That was the argument he used. But, Sir, I remember the Parliament I am now addressing. I remember it is a Parliament summoned by the Queen under the advice of counsellors of whom I formed one myself; and that Parliament, on its meeting, though by a very narrow majority, declared that they had no confidence in the then Government of Her Majesty. They had no confidence in our Foreign Policy; they had no confidence in our Reform principles. What confidence the present Parliament has in the Foreign policy of the present Government, I will not pretend to decide. All I know is, that, so far as I can form an opinion, the affairs of Italy are in exactly the same position as when Parliament was prorogued in August last. So far as the Reform Bill is concerned, I confess, after the announcement of the Chancellor of the Exchequer, that the franchise is to be given to the masses, I admit that no Reform Bill we could bring forward could vie with the coming measure of Her Majesty's Government. But I think I have a right, under these circumstances, to say that neither I, nor my Colleagues, after that vote, are at all anxious to attempt to re-occupy the places we then filled. I may, at least, say for myself, that having for more than two years led this House

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in a minority, I shrink from the renewed anxiety and responsibility of such a post; and I would recommend no Gentleman ever to accept such a position who has any regard for his nervous system. The important office which the Chancellor of the Exchequer fills gives ample opportunity to his eager mind and his impetuous rhetoric. Perhaps in moments of solitary aspiration he may have wished to occupy the proud post of leader of the House of Commons, which no doubt he could fill efficiently. But from what I have observed of the right hon. Gentleman's temperament, I think I may tell him that it is well for him, however eminent his position, that he reposes at least for a time beneath the *mitis sapientia* of the noble Lord the Foreign Secretary, and the calm patience of the noble Premier. Although, however, we are neither anxious, nor, perhaps, able, to disturb you in your seats, are we to forget our duties as Members of this House? Are we to forget that there is such a thing as the English nation, and that there is such a thing to fulfil as public duty? No, Sir! We are conscious of that duty. We will not enter into combinations and cabals to embarrass the Government. I have heard in this debate a great deal about what are called party questions, and there is nothing upon which there appears to me such confusion in the minds of men, and, of all men in the world, in the minds of Members of Parliament, as upon this subject. Sir, when a great political party chooses on some technical ground and narrow issue to join with a section of their opponents and upset a Government, their conduct may be liable to great public reproach. I say "may be liable," because even in such a case combination might be an act of duty, if they thought that the general conduct of the Government was pernicious, and they had the means and opportunity of rectifying it. But when a great party, on a question of policy, financial, commercial, or diplomatic, come forward to assert distinct principles, and to advocate an intelligible course, which none can misapprehend, and with which I believe a great portion of the nation sympathizes; to hold up such a party movement as liable to reproach is to confound the nature of things, and not to comprehend the scope and spirit of our Constitution. It is the

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duty, the noblest duty that can fall to Members of this House, to fulfil such a task. It must always be the lot of only the minority to be Ministers of State, but it is the privilege of all to have views upon political affairs, to support those views with eloquence in this House if they desire it and have the gift, but, at all events, in honourable combination with those with whom they have community of sentiment to assert with their votes their influence and their opinions. Sir, such is now the course which we are about to take. It is our opinion that the proposition of the Government is one pernicious, improvident in finance, not to say profligate—one that may lead this country to an extremity of circumstances this time next year which few can contemplate without the utmost alarm. I wish to see such a course arrested. I do not know what prolonged discussions in this House may not effect. I have little hope or supposition that by asserting our policy in this straightforward manner we can accomplish that object at present. But, in affirming the Resolution of my hon. Friend the Member for Essex, which declares that to add to a deficiency in finance is a proceeding to be deprecated, and that we ought not to disappoint the just expectations of the country by largely increasing the income tax, we assert a principle which we believe in and will maintain. Those just expectations I for one will not deceive, and to that country I ultimately appeal.

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GLADSTONISM FROM 1860 TO 1862.

On the consideration of the Budget of 1862, on the 8th of April, Mr. Disraeli spoke as follows :—

Sir, before you leave the chair I wish to make a few observations upon our financial position, which appears to me not altogether free from anxiety. I am the more disposed to take this course, because from what I hear and from what I observe, it seems there is considerable misconception in the public mind upon a subject on which, of all others, the people of this country should entertain accurate notions. We learn from the statement of the Chancellor of the Exchequer that we are about to commence this year without a surplus. Now, under any circumstances, this is not a gratifying or satisfactory position. No doubt there are circumstances in which a minister of finance might be justified in proposing such a course to parliament for their acceptance and sanction. If it were his lot, for example, by a considerable remission of taxation, to relieve the industry and to stimulate the enterprise of the country—if trade were flourishing—if the revenue were rising—if there were every security for internal tranquillity and for external peace, I can conceive that a Chancellor of the Exchequer might feel himself justified in introducing a programme of finance for the year from which the important feature of a surplus should be wanting. I think we must all agree that that is not our position at the present moment. Our trade is not increasing; it is unfortunately diminishing. Our revenue is not rising; it is unhappily declining. The Chancellor of the Exchequer himself has alluded in the course of his state-

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ment to circumstances which may diminish the means for employment of the people of this country; and although their conduct under very trying circumstances has justly elicited the approbation and sympathy of all right-minded men, still, if there should be a diminution of their means of employment that fact cannot be looked upon as an additional guarantee for domestic tranquillity. On the other hand, if we look abroad—if we look either to the American or the European continent—no one, however little inclined to indulge in a gloomy future, can for a moment assert that the prospect is encouraging. On the state of America it will be unnecessary for me to make a single observation. It occupies all minds, and has been amply touched upon of late. But with regard to the continent of Europe, though for the moment there is apparent quietude, no one can shut his eyes to the fact that, of all the difficulties that occasioned the war of some few years back, and of all which have since come into operation, not one has yet received a solution. Under those circumstances, it is much to be regretted that the state of our finances is such that we commence our financial year avowedly with only a nominal surplus. The probable consequences must be apparent to every one in this house. If any of those contingencies occur which have even been contemplated by the Chancellor of the Exchequer—if there be a diminution in our means of employing the people, if the revenue continue to decline, if our trade continue to diminish, if any unforeseen circumstances occur, either on the continent of America or on that of Europe, which may lead to some increase of expenditure in a military point of view, it is clear that, commencing the year without a surplus, we shall be driven to that most unfavourable of all conditions, an increase of taxation, which is already very heavy.

Now, it is impossible at the present moment to evade this question—Why is there not a surplus? That is a question which everybody, both in the House and out of it, is asking himself. The Chancellor of the Exchequer in his Speech the other night, informed us that he had contemplated that during the last year there would have been a loss consequent

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on the repeal of the paper duty to the amount of 665,000*l.* He went on to say that his estimate, like his other estimates, was erroneous, and that the loss last year from the repeal of the paper duty was 865,000*l.* These are the figures, I think, which the Chancellor of the Exchequer gave us.

The CHANCELLOR of the EXCHEQUER.—I stated also the reason of that increase.

Mr. DISRAELI.—The figures convey an argument strong enough without any reason being added to them. Now, in this year there is an avowed deficiency of 1,164,000*l.* And it is obvious, if we deduct the sum of 865,000*l.* from this 1,164,000*l.*, instead of a deficiency of the sum I have just stated, there would be a deficiency in round numbers, on the year just closed of 300,000*l.* But what would have been our position if the paper duty had not been repealed, as regards the surplus on the present year? In the financial year which has just commenced there will be a total loss under the head of the paper duty of 1,300,000*l.*, and if we add to this in our present position the trifling, but not utterly contemptible surplus which the Chancellor of the Exchequer feebly confessed the other night, we should have had a surplus on the budget of this year of about 1,400,000*l.* —a safe and comfortable surplus; but under the circumstances of the country, with a declining trade, with a diminishing revenue, with the possibility of critical occasions both on the American and European continents—a surplus not a single pound sterling too great for our purposes. Now, Sir, when the repeal of the paper duty was first suggested by the Chancellor of the Exchequer it was opposed on two main grounds. There were some who, when a surplus was announced by the Minister of Finance, did not think themselves justified in impugning the accuracy of his calculations unless they were prepared to bring forward a motion which would have been substantially a motion of want of confidence in the Government. Sir, those Gentlemen, among whom I may count myself, having to deal with a surplus, proposed that instead of repealing a tax the Chancellor of the Exchequer should only reduce a tax, so that no permanent branch of the revenue should be abolished. But, besides those who too

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that position in the discussion which then occurred, there were others, who, to do them justice, opposed the repeal of the paper duty on the perfectly distinct ground that they questioned the existence of any surplus at all. They reiterated their opinion that circumstances would prove that no such surplus existed. Now, there were two main grounds on which that opinion was upheld by members of the Opposition. One was the civil war in America. Night after night my hon. Friend the Member for Norfolk (Mr. Bentinck) brought that view before the House. And night after night to his credit he endeavoured to impress on the Government that in the then state of affairs in America it was more than probable that critical circumstances might arise that would occasion an increase to our military and naval expenditure in that part of the world. Now, how were these representations, urged with such frequency by my hon. Friend the Member for Norfolk, treated? At first with indifference; ultimately almost with derision. My hon. Friend's suggestions were scoffed at. But what has been the result? The result has been an extraordinary expenditure occasioned by critical circumstances, brought about by the civil war in America, which has exceeded the amount which we have lost by the repeal of the paper duties. Now, what was the second special ground on which the existence of this surplus was questioned, and with regard to which a precise calculation was placed before the House, in contradiction to the estimate of the right hon. Gentleman? It was maintained that the estimate which the right hon. Gentleman had made of the receipts of his China money was perfectly fallacious. It was my hon. Friend the Member for Horsham (Mr. S. Fitzgerald) who brought forward that subject, and enforced his views with the utmost precision of statement and argument. The Chancellor of the Exchequer had estimated that he should receive from China 750,000*l.* My hon. Friend the Member for Horsham proved by an acute argument, and by a statement apparently founded upon authentic facts, that the Chancellor of the Exchequer could not receive more than half the amount. What has been the result? Why, instead of receiving 750,000*l.*, the Chancellor

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of the Exchequer has received less than 400,000*l.* And how were the views of my hon. Friend the Member for Horsham received? Why the Chancellor of the Exchequer carried that estimate, I may say almost on his personal guarantee. It was felt last year, after the assurance given, that if a Chancellor of the Exchequer in a matter of that kind was not to be relied on, it would be almost vain to attempt to carry on public business. I ask again what has been the result? Why the result is simply a mistake of 400,000*l.* Therefore I think we may fairly conclude that the objections which were urged against the proposal of the Chancellor of the Exchequer to repeal the paper duty, even upon the right hon. Gentleman's own showing, were sound ones; and that he was not entitled to take that course has been fully justified by the event. We should give full credit to the hon. Members for Norfolk and Horsham for the prescience which they exhibited on that occasion, and the pertinacity with which they placed their views before the public.

Now the Chancellor of the Exchequer having been so unfortunate in these estimates, it is, I think, a subject of some interest to the House and the country, and may lead to salutary conclusions, if we examine whether the Chancellor of the Exchequer during his management of the finances has been more successful in other matters. This is, fortunately, a subject which depends upon authentic figures. A great rhetorician, when he makes a comprehensive statement, may so charm his audience that when they are leaving the House they may be utterly ignorant as to whether a surplus or a deficiency really exists. But in the sober hour that follows these financial flourishes there is a power of appeal to documents, the accuracy of which cannot be impugned, and from which we can draw conclusions which no one can for a moment hesitate to accept. Now the Chancellor of the Exchequer the other night thought the occasion fitting for taking a general review of his financial career, and I will follow his course with great brevity. I think it but due to the right hon. Gentleman to admit, that for the operations of the year 1859-60, he is but partially, and I will even say, not at all responsible. The

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right hon. Gentleman acceded to office late in the year, and he followed those who had already completed an extensive financial operation which might hamper him, and who left him such considerable engagements and liabilities that he might necessarily have felt embarrassed. The House will, perhaps permit me very slightly to refer to the financial transactions of 1859-60. Early in that year the Government of Lord Derby, of which I was the organ in this House, had to encounter the payment of 2,000,000*l.* of Exchequer Bonds, which became due in that year. The then Government were of opinion that it was a matter of great importance that this claim should be met and satisfied. In the preceding year Exchequer Bonds had became due to the same amount, which we felt it our duty to treat in a different manner. This country had at that moment scarcely recovered from a most severe monetary crisis. The revenue under those circumstances was tolerably buoyant, for it had been sustained by a stimulus given to consumption by the repeal of the great war income tax. But notwithstanding all that, the country had suffered most severely from this monetary crisis, and was still suffering. There was apparently a deficiency; but it was a deficiency entirely occasioned by artificial means, by engagements about a new Sinking Fund, the policy of which many questioned, myself amongst the number, and by payments which we were then called upon to make of those Exchequer Bonds, by an arrangement also which at the time many did not sanction. Well, it was certainly most unwise to put on new taxes to the amount of 3,000,000*l.* or 4,000,000*l.* to satisfy what may be called an artificial deficiency at a time when the country, and especially the commercial classes, was suffering from the monetary crisis; and the House entirely sanctioned that policy. It was unanimously approved of, and I think wisely approved of; but the House, and I am sure the Government, were of opinion that it would be most unwise to repeat such a course; and therefore in 1859, when 2,000,000*l.* more of Exchequer Bonds turned up for satisfaction, we resolved that that claim should be met, and it was met; 2,000,000*l.* were taken from the balances in the Exchequer, the state of the balances at that time per-

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fectly authorising the step, and these 2,000,000*l.* of Exchequer Bonds were satisfied. But there were other matters with which we had to deal in 1859 which entailed a vastly increased expenditure on the country, and which of course entailed great difficulties upon the individual who was entrusted with the management of our finances. The state of Europe rendered it absolutely necessary that at the end of 1858 and the commencement of 1859 the Government should most seriously consider the state of the Royal Navy. Under those circumstances we were obliged to commence operations on a great scale—to convert a fleet of sailing vessels into vessels with all the improvements of modern scientific invention, and which would be propelled by steam and by screw. All this occasioned a great increase of the estimates. An hon. Gentleman opposite declared, the other night, that this country had expended 11,000,000*l.* in building wooden ships after the period when France had announced that she would build no more wooden ships. Well, that is a very serious statement, and it may be a true one. All I have to say is, that though the expenditure which was recommended by the late Government with respect to the navy, and which was entirely sanctioned by the House and by the public opinion of the country, was so great, if I am not mistaken, that charge does not apply to us. If I am not mistaken, during that great process not a single new keel was laid down by the late Administration. They built new ships: for they built two iron ships, the money for defraying the cost of which appeared in the estimates. I do not mean to say, and I do not think the House will suppose I meant to insinuate, that if the late Government had remained in office they would have built no more wooden ships. They were obliged to proceed with caution. Up to that time they had only before them the experience of iron batteries. But we did proceed; and when that charge is made, the accuracy of which I am not prepared to impugn at this moment, I think it right to state that it does not apply to us, and that that great expenditure was incurred for a most legitimate purpose; for no one can dispute that three years ago it was just and necessary, and no one can deny that my right hon. Friend

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(Sir J. Pakington) has the distinguished merit of being the first First Lord of the Admiralty who built iron ships. But, Sir, all this no doubt entailed on the Minister who had the conduct of the finances of the country immense difficulties.

Well, Sir, in 1859, under these circumstances, there was a change of Government. I do not wish to refer to the circumstances under which that change of Government took place; they were peculiar. We had brought forward a measure which would have added to the parliamentary constituency of the country 500,000 educated and responsible voters. But there were some profound statesmen who were of opinion that England was panting for a radical reform of Parliament, and addressing themselves to a new Parliament less experienced in such matters than it is at present, they persuaded the House by a hesitating and bare majority to pass a vote of want of confidence in Her Majesty's Government, because they were not prepared to introduce a sweeping measure of Parliamentary reform. That was a successful operation. It brought upon the Treasury bench that distinguished Reformer who, now with folded arms and serene spirit, surveys the scene; and I must say this in justice to the noble Lord and his colleagues against those charges which are so thoughtlessly made against them as to their conduct on the Reform question—the present ministry were brought in to settle the question of Parliamentary reform, and in my opinion they have entirely settled it. They have entirely fulfilled their great behest. However, in June—it was not until June—the right hon. Gentleman opposite, the Chancellor of the Exchequer, was called on to take the management of the finances of the country, and succeeded to all the engagements of his predecessor. Had that motion not been brought forward to which I have adverted, it would have been my first duty, on behalf of my colleagues on the assembling of the new Parliament, to have introduced the ways and means by which the expenditure we had recommended would have been met; but the task fell to the right hon. Gentleman. With regard to the measures which that right hon. Gentleman then brought forward we could have but one

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course, which was to give him, in the difficult position he then occupied, a cordial and unhesitating support. Those measures were adequate to the occasion; they were judicious, and they were passed. By passing those measures the right hon. Gentleman found himself, at the conclusion of that financial year—which we had commenced and which he had completed—on the winding-up of the account and drawing up the balance-sheet, in possession of a sufficient, not to say a considerable, surplus. And therefore I say that, in reviewing the transactions of the right hon. Gentleman, it is partly in justice to himself and partly for the convenience of the House, absolutely unnecessary to revert any more to the year 1859-60, because he really was not morally responsible for the financial transactions of that year; and that year, ending with a surplus, did not at all influence, and did not at all occasion the peculiar and perilous position in which the country now finds itself. Therefore I will take the two years—not the three years, but the two years—in which the Chancellor of the Exchequer, unrestricted and uncontrolled, has had the great opportunity of bringing forward the whole of his financial scheme, and has been allowed by an indulgent and admiring House of Commons to steer the financial vessel, I will not say into port or into shallows, but into the peculiar position in which we now find it.

Well these two years have some remarkable characteristics. The year 1861-62, as the Chancellor of the Exchequer informed us a few nights ago, has terminated in a deficiency of 1,164,000*l.* The preceding year, 1860-61, terminated in a deficiency of 2,558,000*l.* There have been excesses of expenditure since ascertained to the amount of 278,000*l.* And the deficiency of the two years—of the period during which the right hon. Gentleman has been perfectly master of the situation and has not been hampered with any arrangements of his predecessors or the engagements of those who went before him—those two years have resulted in a united deficit of 4,000,000*l.* sterling. I mention this, among other reasons for this in particular—that the House should understand the cost of luxuries. The French Treaty was an admirable performance. No one is against French treaties of commerce if

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entered into at the right time. Many Ministers before the present Chancellor of the Exchequer have either carried, or endeavoured to carry, treaties of commerce with France. But still understand that the year of the French Treaty resulted in a deficiency of 2,558,000*l.*; and the year of the repeal of the paper duty, another equally popular arrangement, resulted in a deficiency of 1,164,000*l.* So, as I mentioned a while ago, there has accrued from the management of the finances by the right hon. Gentleman, during the two years in which he has—unchecked, uncontrolled—given full play to that imagination which has dealt with the resources of the country in so brilliant a manner, a deficiency of 4,000,000*l.*! But is that all? Alas! only a small portion of the great achievements of his bright career. In addition to this deficit of 4,000,000*l.* the right hon. Gentleman during these two years has anticipated the resources of the country to the amount of 3,500,000*l.* sterling. Something more than 1,250,000*l.* of the malt credit, 2,000,000*l.* of the income tax, 250,000*l.*, half of the Spanish payment—for only half of the Spanish payment was enjoyed by the right hon. Gentleman during these two years—make up a sum of 3,500,000*l.* Therefore this great manager of our finances has, in the course of two years exceeded the ordinary revenue of the country by seven millions and a half. But is that all? What was the ordinary revenue of the country during these two years when its amount was exceeded by the right hon. Gentleman by the enormous sum of 7,500,000*l.*? It was an ordinary revenue, sustained and supported by war taxation—by a war income tax—by war duties upon tea and upon sugar—and, swollen and bloated as the ordinary revenue was by these war taxes, still it was exceeded by the right hon. Gentleman during those two years by 7,500,000*l.* sterling. But is that all? It seems impossible that there can be an aggravation of such aggravated circumstances. And yet I can show to the House that hitherto they have not measured the amount of the prodigality of the right hon. Gentleman. For not only has he exceeded during these two years by seven millions and a half the ordinary revenue of the country, and that ordinary revenue sustained by war

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taxation, but he has done this at a period when the charge on the National Debt had diminished 2,000,000*l.* per annum by the lapse of the Terminable Annuities!

Now, Sir, I think the House will agree with me that I have laid before them a very serious state of affairs. Immense expenditure; actual and enormous deficit; exhaustion of all extraordinary aids: and this, too, at a period when the political horizon, abroad and at home, is certainly not unclouded. But the House will be curious to know—for in the blaze of eloquence in which the communication of his financial statement is laid before us, we lose under the wand of the enchanter that necessary information which should guide our calculations — the House would like to know how the deficit has been supplied. We clearly understand how the 3,500,000*l.* of anticipated resources have been diverted; but how has the Deficit been supplied? It has been partially supplied by the Chancellor of the Exchequer drawing reckless drafts to the amount of 2,684,000*l.* upon the balances in the Exchequer, which were not even then strong. It has been supplied by the Chancellor of the Exchequer for two consecutive years stopping, in Hounslow fashion, repayments of money into the Exchequer, and those repayments of money amounting in the two years to 881,000*l.*, being the repayments of loans raised by the country—for instance, the Irish loan some years ago—and which repayments are still making to the Consolidated Fund. It has been further supplied by a positive increase of the debt of certainly not less than 461,000*l.* The balance-sheet for the year is not on the table of the House. I cannot, therefore, give the precise sums; but I am quoting a confession from the Chancellor of the Exchequer in his Budget speech of last year, when he admitted that he had in fact over-issued Exchequer Bills and Bonds to the amount of 461,000*l.*, of course under powers which Parliament had placed at his disposal. If these figures be added together—2,684,000*l.* by drafts on balances, 881,000*l.* arising from applications of repayments and 461,000*l.* of new debt, the House will find a sum of 4,026,000*l.*; and that is the sum which the House will at once see provided for the deficit. Now, Sir, I ought perhaps here to remind t

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House that the balances in the Exchequer in March, 1860, amounted to 7,972,000*l.*; that the balances in the Exchequer in March, 1862, amounted to 5,288,000*l.*; and the difference, 2,684,000*l.*, is that sum which I informed the House the Chancellor of the Exchequer had drawn out by his drafts.

Well, now, Sir, the House will observe that this is a very critical position for our finances; and it is interesting to remark in what manner the Chancellor of the Exchequer encourages us under the inevitable announcement which it was his duty to make on Thursday last. All that the art of rhetoric could supply to soften facts, to confuse figures, and ingeniously to bewilder the mind of the House was no doubt had recourse to; but so happy and adroit was the manner of the Chancellor of the Exchequer, that, although the announcement was not made in that coarse and crude manner in which it is now communicated to the House, still sufficient was done in some degree to prepare the mind of the public for such portentous results as a deficit of 4,000,000*l.* and an appropriation, or rather, I should say, a misappropriation of 3,500,000*l.* of the anticipated resources of the country, and that during a period when trade and revenue were both declining, and when, according to the Minister himself, the prospects at home and abroad were alike discouraging.

And how does the right hon. Gentleman account for, vindicate, extenuate these portentous results? First of all, we are told that these two years during which our finances have been administered in this satisfactory manner were exceptional years. I deny that they were exceptional years. What were the exceptional circumstances? The Chancellor of the Exchequer has told us that there was a war with China. Is that an exceptional circumstance? Sir, I have had the honour of sitting a quarter of a century in this House, and I cannot recall two consecutive sessions in which Parliament has not had to deal with circumstances as exceptional as a war with China. I came in with a Canadian insurrection, which cost the country something. We are now dealing with a Canadian invasion, which every gentleman in the house knows will cost something. There have been in that period

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three Chinese wars; there have been two Kaffir wars; there has been a Persian war; there have been, I think, two New Zealand wars; there have been Syrian invasions, which cost something; and there have been Irish famines, which have cost a good deal, but which no one grudged. But, under these circumstances, is any minister justified in describing a Chinese war as an exceptional circumstance? Ought he not in his calculations to anticipate that some occurrence of an analogous character may happen in the course of the year?

"But," says the right hon. Gentleman, "never mind; the cost has been large, some of you may think the management loose; but although I have not a stick or stiver left"—he told us that—"and although I have mortgaged your resources, and made the greatest deficit ever made by a Finance Minister in a like period, still there is this consolation for you: I have reduced the amount of the national debt by 4,000,000*l.*" I deny that the Chancellor of the Exchequer has reduced the National Debt by 4,000,000*l.* I deny that he has reduced the amount of the National Debt at all. On the 31st of March, 1860, the funded debt of this country was 785,962,000*l.*; the Exchequer Bills were 13,228,000*l.*; the Exchequer Bonds, 2,000,000*l.*:—the total amount being 802,190,000*l.* On the 31st March, 1862, the conclusion of the two years, our total debt, calculated from the items of funded debt, of Exchequer Bills, and of Exchequer Bonds, was 800,757,000*l.*, leaving an apparent diminution of public debt of 1,333,000*l.* I say an apparent diminution, for the diminution was occasioned mainly, not to say entirely, by the action of the public converting a certain amount of our permanent debt into terminable annuities; and therefore I say there has been no reduction of public debt, as the Chancellor of the Exchequer would induce the House to believe. But is there even an apparent diminution? Admitting for the moment that there has been this diminution of public debt to the amount of 1,333,000*l.*—what has become of the increase of public debt during that period, in consequence of the vote for fortifications? Where is that 1,740,000*l.* which the country has already incurred, and which may be increased to a greater amount? I say, therefore, instead of a diminution of public

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debt, there has been absolutely an increase of public debt while the Chancellor of the Exchequer has administered our finances.

But, Sir, there is a third source of consolation in the terrible scrapes in which we unexpectedly find ourselves. Exceptional circumstances are an abstraction that I fear will not pass. Reduction of the debt is a more material assertion, but then it does not bear criticism. But there is something not so abstract as exceptional circumstances—not quite so easily grappled with in a material sense as the reduction of debt, but still bearing a delightful and popular title, and beneath that cloud the Chancellor of the Exchequer, like other heroes, will cover himself in a position of great peril—that is, an announcement that the epoch of retrenchment has commenced. And then I observed that gentlemen below the gangway pricked up their ears immediately. The epoch of retrenchment has commenced. Most encouraging! Never mind past disasters; never mind deficits and mortgages; with an epoch of retrenchment we shall soon make up lee-way, and, depend upon it, we shall enjoy all the advantages that have accrued, and still find the finances in a solid condition. I was extremely perplexed to know how that retrenchment was to be effected. Was it to be effected in Chinese wars? The right hon. Gentleman, with playful sarcasm, gave the most amusing narrative in the world of all the expenditure for the last China war; and I could not for the life of me conceive, during the time, at whom he was directing the laugh. It could hardly be at the great conqueror of China himself who sat next to him, because he could scarcely be vexed by that narrative when he remembered that notwithstanding the fiery denunciations of that costly folly, from the benches below the gangway by a distinguished orator, that very individual was now his own Chancellor of the Exchequer, providing the ways and means by which that China war should be carried on. Well, then, is it in the naval and military expenditure of the country that this retrenchment is to be effected? Sir, if that be the case, why not begin at once? Certainly, it seems to me that it is as practicable to have a considerable reduction in our army and navy in 1862—as it

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probably will be in 1863. Well, Sir, at last I thought—and then I felt immediately it must be a mistake — it might be the civil estimates. There was an opportunity a fortnight ago, when some reduction might have been attempted —a considerable one—in the civil service estimates. If the House had agreed to stultify the course of Parliament for 30 years, and to have diminished or destroyed the education of the people, a good deal might have been gained. But when I remember the forlorn condition of the Vice-President of the Council in that instance, and when I remember the great disappointment of the House because the Chancellor of the Exchequer did not bring to his aid all that impassioned eloquence which is at his command, and which we thought due to the occasion, I felt the Chancellor of the Exchequer had really lost the opportunity for a reduction of the civil estimates. I remember the Vice-President of the Council was deserted on that occasion, not only by the Chancellor of the Exchequer but by all his colleagues, but exhibiting, I may be permitted to say, if a deficiency of judgment, remarkable talent, and showing throughout that contest versatile ability. Well then, Sir, if reduction is not to be effected in Chinese wars; in the army and navy; in the civil service: in what is it to be effected? Is it in fortifications? We know, at least it is rumoured, that the Chancellor of the Exchequer has a most indignant prejudice against fortifications. With that patriotic consistency which distinguishes him, they say nothing in the world will induce him to propose a vote for fortifications; all that he does is to supply the ways and means. Well, the House had spoken out on fortifications. The gallant member for Liskeard (Mr. B. Osborne) at the point of the bayonet, took the Government position on that subject the other night, and perhaps it is fortifications upon which the great retrenchment is to be attained. But, unfortunately, we received an official announcement, which of course the Chancellor of the Exchequer agreed to, that all sums diverted from the construction of forts are to be devoted to the construction of ships: and therefore it would appear that any hope of reduction through the instrumentality of the Chancellor of the Exchequer upon this item

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seems hopeless. But how futile, how illusory, this promised retrenchment really is, was proved in the after part of the Speech of the right hon. Gentleman when he came to figures. The right hon. Gentleman, when inaugurating the epoch of retrenchment, compared the estimate of the present year with the expenditure of the last, and he says the expenditure of last year exceeds the estimate of the present year by 1,700,000*l.* But what if the Chancellor of the Exchequer would compare the estimate of this year with the estimate of last year?

The CHANCELLOR OF THE EXCHEQUER.—I did so.

MR. DISRAELI.—Oh! I will come to your estimates in a moment. The right hon. Gentleman compared the estimate of this year with the expenditure of last. I say it is moonshine to compare the estimate of this year with the expenditure of last year. If I am to compare the expenditure of last year, let me have the expenditure of this year. The right hon. Gentleman seems to say that I have not quoted him correctly on the subject of his estimates. He shall have his own figures, and the House shall have them. In the year 1860-61, the estimates were 70,100,000*l.*, and the expenditure of that year was 72,842,000*l.*—error in 1860-61, 2,642,000*l.* The estimates in 1861-62, were 69,875,000*l.*, and the expenditure was 70,838,000*l.*—error in 1861-62, 963,000*l.* The estimates of 1862-63, that we have just had, are 69,120,000*l.*, and as the expenditure is not ascertained I have put opposite to that estimate a colossal query. But, Sir, if you compare the estimates of this year with the estimates of last, the diminution is only 750,000*l.*, not 1,750,000*l.*; and if hon. Gentlemen below the gangway think that a reduction to inaugurate an epoch of retrenchment, they are more easily satisfied than their speeches—I do not say their votes—would indicate.

Well, Sir, having placed clearly before the House and the country our exact financial position; our deficits, our anticipated resources, and the prospects before us; I say that I have shown that the three excuses which were offered by the right hon. Gentleman to account for and extenuate his errors and calm the public mind, very naturally agitated

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after such a revelation, are utterly flimsy: the expenditure is not exceptional; the debt has not been reduced; retrenchment has not been effected. What if there be a continued decline of the revenue? What if there be that which the right hon. Gentleman contemplates—a great decrease in the employment of the people? What if there be that which every gentleman in this House, on either side, contemplates as more than possible—critical circumstances occurring either in America or Europe which may call for increased expenditure—where are we? Where is our surplus to fall back upon? The abolition of the paper duty was wrung from a reluctant House of Commons, and in defiance of the solemn vote of the other House of Parliament. Whatever may be the folly of Ministers, history may vindicate the wisdom of Parliament. But, Sir, there is a point more alarming even than increased taxation, or than even that account of his financial disasters which could no longer be concealed. The whole Speech of the right hon. Gentleman, where he referred to taxation, seemed based on this principle—that the income tax was to be a permanent feature of our financial system. The right hon. Gentleman referred to half-a-dozen other taxes which he could not yet repeal, and to some which he could only soften. The whole tenor of the discourse of the right hon. Gentleman was that the income tax was to be a permanent feature of our financial system. Is that the opinion of the House of Commons? Is that the opinion of the country? I reiterate the views that I have myself often expressed. I do not believe that the income tax in its present form can be a permanent tax. Although I have listened to every suggestion that has been made, and weighed them, I trust, with patience and without partiality, I have listened to no scientific solution of the difficulties connected with that tax that would be satisfactory to the treasury of Her Majesty. The tax remains unequal, unjust, inquisitorial, and branded with that character of infamy which the right hon. Gentleman himself, in 1853, with such profuse expression, gave to it, and which he made the basis of his most considerable financial measure and his most fallacious. Sir, I think we have a right to expect from the right hon

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Gentleman that he should speak frankly on this subject of the income tax. He has no right to fritter away the resources of the country and leave that tax pressing upon it. Sir, there is something in the speeches of the right hon. Gentleman on this head, and generally on all matters of finance; it is of common custom with him, and I feel it my duty now to notice it; which fills me with perplexity, which I think conveys to the country a sentiment, not merely of perplexity, but of distrust: and it is this,—that while the right hon. Gentleman is without exception the most profuse Minister that ever administered the affairs of this country in peace, he is perpetually insinuating—to use the mildest term—to the House and the country that he disapproves of that expenditure, and is burning to denounce it. Now, Sir, I say that is not a legitimate position for the right hon. Gentleman to occupy. If he disapproves of this profuse expenditure why does he sit upon that bench, and lend to its enactment and enforcement all the authority of his character and all the lustre of his reputation? If, on the contrary, he approves of that expenditure, then it is his duty, as finance minister especially, not to disspirit and discontent the people, but rather to animate them under inevitable burdens, and sustain their courage at a time when he may perhaps have to call upon them with renewed appeals. But nothing of the kind; the right hon. Gentleman never proposes a vote—and it falls to him to propose the most profuse votes that any Minister in a time of peace ever brought forward—he never does this without an intimation that he does not sanction in his heart the expenditure he recommends. But the right hon. Gentleman has gained the confidence and support of a party in this House, not yet very numerous in point of number, but distinguished by talent and perseverance—the party who are for the reduction of our establishments. How is it that that party which preaches retrenchment and reduction—who believe all our estimates, especially the naval and military estimates, are much too extravagant, who are opposed to fortifications, and who do not much like iron ships—how is it that this party always support a Minister who is bringing forward these excessive estimates and who provides for

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this enormous expenditure? Well, that is a great question. This, at least, we know, that while this spendthrift is weeping over pence—while this penurious prodigal is proposing this enormous expenditure,—he always contrives to repeal some tax to gratify the interests or prejudices of the party of retrenchment. No wonder then we no longer hear the same character of the income tax! No wonder we no longer are reminded of that compact entered into by the House and accepted by the country for its gradual and permanent abolition! Unless the House expresses on a fitting occasion its opinion, there is very little hope of our obtaining any redress in this respect. Well, Sir, who will deny that this position of affairs is peculiar and perilous? I remember some years ago, when the right hon. Gentleman was at the head of a small and select party of politicians not then absorbed in the gulf of Liberalism, that we heard much prattle about "political morality." What then most distinguished the right hon. Gentleman and his friends was, their monopoly of that admirable quality. They were perpetually thanking God that they were not as other men, and always pointing their finger at those unfortunate wights who sat opposite to them. Now we see the end of "political morality." We see the position to which "political morality" has brought the finances of a great nation. I denounce this system as one detrimental to the character of public men and most injurious to the fortunes of the realm.

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